GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4223
ANSWERED ON:04.05.2007
REDUCTION IN REVENUE DEFICITS BY STATES
Oram Shri Jual;Singh Shri Dushyant

Will the Minister of FINANCE be pleased to state:

(a) whether some of the State Governments have reduced their revenue deficits as per the recommendation of the 12th Finance Commission; and

(b) if so, the details thereof along with the details of incentives awarded by the Union Government to those States?

Answer

MINISTER OF THE STATE IN THE MIISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a): Yes, Sir.

(b): The Twelfth Finance Commission (TFC) has framed a scheme of debt waiver based on fiscal performance, linked, inter alia, to the reduction of revenue deficits of States. Under the Scheme of the States` Debt Consolidation and Relief Facility, the repayments due from the States during 2005-06 to 2009-10 on consolidated Central loans will be eligible for write-off. The quantum of write-off is linked to the absolute amount by which revenue deficit is reduced in each year compared to the deficit in the previous year starting from the base year figure. For the States, which are in revenue surplus, the debt write-off is available so long as the revenue surplus of the State does not go below the base year level in absolute terms. Based on the quality of fiscal correction and improvement in revenue account in 2004-05 compared to the base year, debt write-off for 2005-06 has been awarded to 14 States to the extent of Rs. 3878.94 crore. Further, 19 States have shown improvement in their revenue account in 2005-06 compared to the base year and based on this criterion and on the basis of the quality of fiscal correction, these states have been awarded debt write-off for 2006-07 to the extent of Rs. 4594.89 crore, so far.